

## COMMON UNALLOWABLE COSTS

Information related to the allowability of various types of costs can be found in the Code of Federal Regulations, 48 CFR Chapter 1, Part 31, Contract Cost Principles and Procedures. All consulting services contracts with the Department are governed by these regulations which are commonly referred to as the FARs. Listed below are some commonly encountered unallowable costs. This list should not be construed as all inclusive and we recommend the consultant refer to the FARs for any particular cost which appears to be questionable.

### Common Unallowable Costs

31.201-6(c)	Expenses with no supporting documentation
31.205-1	Public relations and advertising costs
31.205-3	Bad debts
31.205-6(f)	Compensation - See MoDOT policy. Compensation in the form of bonuses or incentive awards are allowable costs. However, bonus amounts for partners, principals, officers, or stockholders is limited to the amount of bonus paid to the most highly compensated regular employee.
31.205-8	Donations
31.205-11	Depreciation in excess of amounts claimed on federal tax returns
31.205-13	Gifts for employees, flowers
31.205-14	Entertainment costs, Christmas parties, gifts for customers
31.205-15	Fines, penalties and mischarging costs
31.205-19	Key man life insurance premiums
31.205-20	Interest expense
31.205-22	Lobbying and political activity costs
31.205-36(b)(3)	Related party profit portion on rent -- See also MoDOT policy on common control. If a firm incurs rental costs through the rental of a facility from a related party (i.e., an owner, principal, stockholder, or anyone related by blood or marriage to an owner, principal or stockholder) then the charges allowed for rent cannot exceed the normal costs of ownership, such as depreciation, taxes, insurance, facilities capital cost of money and maintenance.
31.205-41	Federal income and excess profits taxes and tax preparation
31.205-51	Alcoholic beverages